

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 AID-05 SS-15 STR-04 ITC-01
TRSE-00 PRS-01 SP-02 FEAE-00 OMB-01 NSCE-00 SSO-00
USIE-00 INRE-00 EA-07 /100 W
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FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 5693

INFO ALL OECD CAPITALS 0748

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E.O.11652: NA

TAGS: ETRD OECD

SUBJECT: SPECIAL AND DIFFERENTIAL TREATMENT (S&D):

MARCH 10-11 MEETING OF OECD TRADE COMMITTEE

WORKING PARTY

REF: STATE 52102

1. SUMMARY: TCWP HAD USEFUL REVIEW OF SECRETARIAT PAPERS ON S&D OPTIONS, GRADUATION, LEGAL ISSUES, AND ECONOMIC IMPLICATIONS, BUT LITTLE PROGRESS IN GOVERNMENTS' THINKING WAS EVIDENT. DISCUSSION OF AUTONOMOUS VS. CONTRACTUAL APPROACHES TO S&D GENERATED MOST ENTHUSIASM, WITH THOSE DELS MOST PESSIMISTIC ABOUT FEASIBILITY OF GRADUATION ALSO SHOWING MOST INTEREST IN KEEPING OPEN AUTONOMOUS OPTION. QUESTION OF FUTURE WORK WAS ALSO DISCUSSED AT LENGTH, WITH NUMBER OF DELS PREDICTABLY ARGUING THAT PAUSE WAS NEEDED TO LET MTN "CATCH UP." US AND JAPAN, HOWEVER, NOTED SEVERAL AREAS DESERVING MORE
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IN-DEPTH TREATMENT. GROUP AGREED IN ANY CASE THAT PAPER ON GRADUATION CRITERIA, MANDATED BUT NOT YET PRODUCED BY SECRETARIAT, REMAINS ON AGENDA. THOUGH BOTH CHAIRMAN AND US EXPRESSED SOME INTEREST IN EXPLORING POTENTIAL FOR MOVING, IF ONLY GENTLY, IN DIRECTION OF CONSENSUS ON S&D OPTIONS, OTHERS CONTINUED FOR MOST PART TO BE VERY HESITANT. CHAIRMAN'S ORAL REPORT TO TRADE COMMITTEE WILL IN-

DICATE INTERIM STATUS OF DISCUSSIONS AND SOLICIT ANY GUIDANCE TC MAY WISH TO PROVIDE FOR GROUP'S FUTURE ACTIVITIES. END SUMMARY.

2. S&D OPTIONS: NO NEW GROUND WAS COVERED, ALTHOUGH US AND OTHERS ASKED SECRETARIAT TO MODIFY SECTION ON ANTIDUMPING TO BRING IT MORE CLOSELY IN LINE WITH STATUS OF CONSIDERATION OF THIS QUESTION IN GENEVA. US DEL ALSO POINTED OUT THAT LDC'S OFTEN HAVE MEANS, THOUGH DIFFERENT THAN THOSE USED BY DC'S, FOR DEALING WITH DUMPING PROBLEMS AND THAT POSSIBILITY OF RECIPROCITY ON THEIR PART SHOULD NOT BE EXCLUDED.

3. GRADUATION: NORDICS AND SWITZERLAND TOOK ISSUE WITH PAPER'S STATEMENT THAT AIM OF S&D WAS TO PUT LDC'S ON "EQUAL FOOTING," AND SAID THEY COULD ENVISAGE "MORE THAN EQUAL" TREATMENT. US THOUGHT THIS QUESTION COULD USE SOME MORE DETAILED ANALYSIS. EC COMMISSION REP WAS INTERESTED IN LOOKING AT GRADUATION WITH RESPECT TO THE KIND OF RECIPROCITY EXPECTED FROM LDC'S. SEVERAL DELEGATIONS--FRG, JAPAN, NORWAY--INDICATED THEY THOUGHT ANY GROUPINGS OTHER THAN LDC'S AND LLDC'S WOULD GIVE RISE TO NEARLY INSUPERABLE POLITICAL DIFFICULTIES, EVEN USING "AUTOMATIC" CRITERIA. UK AND AUSTRALIA POINTED OUT, HOWEVER, THAT INABILITY TO SEPARATE OUT MORE ADVANCED COUNTRIES WOULD GREATLY REDUCE FEASIBILITY OF S&D FOR MAJORITY OF LDC'S. US URGED THAT ALL OPTIONS FOR GRADUATION CRITERIA BE EXPLORED, INCLUDING ADAPTION OF "COMPETITIVE NEED" CONCEPT. SECRETARIAT INDICATED IT WAS WORK-LIMITED OFFICIAL USE

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ING ON PAPER ON GRADUATION CRITERIA, WHICH HAD ALREADY BEEN MANDATED BY TRADE COMMITTEE, AND WOULD WELCOME SUGGESTIONS FROM INTERESTED GOVERNMENTS.

4. LEGAL ISSUES: FOCUS OF GROUP'S DISCUSSION WAS QUESTION OF AUTONOMOUS VS. CONTRACTUAL GRANTING OF S&D. FRG AND AUSTRALIA ARGUED IN FAVOR OF AUTONOMOUS APPROACH AS BEING MORE "FLEXIBLE", THUS ALLOWING DONORS TO BE MORE GENEROUS AND TO AVOID THE POLITICAL PROBLEMS OF ESTABLISHING AN EXPLICIT GRADUATION CONCEPT. THE NORDICS AND DUTCH ALSO WISHED TO KEEP THIS OPTION OPEN AND DECIDE QUESTION ON A CASE-BY-CASE BASIS. SWISS ARGUED STRONGLY FOR CONTRACTUAL APPROACH, SAYING THIS WAS CLEARLY WHAT LDC'S WERE AFTER AND THAT PROSPECT OF EVENTUAL LDC RECIPROCITY WOULD ENABLE DONORS TO BE MORE GENEROUS THAN UNDER AUTONOMOUS OPTION. US AGREED, POINTING OUT THAT NUMBER OF EXISTING EXAMPLES OF POSSIBILITY OF GIVING S&D ON AUTONOMOUS BASIS HAD NOT MADE DONORS VERY GENEROUS, AND SUGGESTED THAT PRO'S AND CON'S OF THESE TWO POSSIBILITIES

BE EXPLORED MORE FULLY. TURKISH DEL SAID HE MUCH
PREFERRED CONTRACTUAL SOLUTION. JAPAN SUGGESTED THERE
MIGHT BE MIDDLE OF ROAD SOLUTION ALONG LINES OF ARTICLE

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-----141854Z 027182 /50

O R 141826Z MAR 77
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5. ECONOMIC IMPLICATIONS OF S&D: EXCEPT FOR SWISS, WHO
THOUGHT SECRETARIAT'S PAPER WAS COUNTERPRODUCTIVE AND
SHOULD BE FORGOTTEN, GROUP AGREED SECRETARIAT HAD DONE
GOOD JOB ON THIS PAPER CONSIDERING LIMITED GUIDANCE
GIVEN. DISCUSSION WAS RELATIVELY BRIEF. US SUGGESTED
FURTHER WORK BE DONE ON QUESTIONS OF EFFECT OF S&D ON
RESOURCE ALLOCATION, DISTRIBUTION OF POSSIBLE ECONOMIC
RENTS AMONG RECIPIENTS, AND EFFECTS OF LDC'S OWN POLI-
CIES. JAPAN THOUGHT PAPER DESERVED A "SECOND READING"
SOME TIME IN FUTURE. UK DEL SUGGESTED THAT THE FORMULA
PROPOSED BY THE SECRETARIAT FOR S&D IN THE SAFEGUARDS
AREA--AN INFORMAL BEST EFFORTS COMMITMENT TO TAKE LDC
PROBLEMS INTO ACCOUNT--WAS WORTH CONSIDERATION FOR A WIDE
RANGE OF NTM'S.

6. FUTURE WORK: A NUMBER OF DELS--ESPECIALLY NORWAY,

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SWITZERLAND, SWEDEN--THOUGHT OECD WORK HAD GOTTEN AHEAD OF THAT IN GENEVA AND THAT PAUSE WAS NOW IN ORDER. EC WAS OPEN MINDED BUT NOT ENTHUSIASTIC. US AND JAPAN, ON OTHER HAND, THOUGHT CONTINUED WORK WOULD BE USEFUL IN MAINTAINING A BROAD VIEW OF S&D ISSUE AND SUGGESTED TOPICS WHICH DESERVED FURTHER EXAMINATION. CHAIRMAN'S SUGGESTION THAT GROUP COULD MOVE TOWARD CATEGORIZING S&D MEASURES ACCORDING TO TECHNICAL FEASIBILITY AND ECONOMIC BENEFIT TO LDC'S, AS WELL AS MORE GENERAL US PROPOSAL THAT OPTION OF DEVELOPING GREATER CONSENSUS ON S&D MEASURES BE PUT TO TC, MET WITH RESISTANCE FROM SOME DELS WHO WANTED TO AVOID ALL APPEARANCE OF DC COORDINATION OF VIEWS. FRG WAS, HOWEVER, OPEN MINDED ON THIS QUESTION CHAIRMAN'S ORAL REPORT TO TC WILL NOTE DIVERGENCES OF VIEW ON THESE POINTS, AS WELL AS FACT THAT WORK ON CIRTERIA IS IN PROGRESS, AND SOLICIT TRADE COMMITTEE'S VIEWS ON DIRECTION ACTIVITIES SHOULD TAKE. TURNER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, COMMITTEE MEETINGS, MEETING REPORTS
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
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Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Format: TEL
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Handling Restrictions: n/a
Image Path:
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Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
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Reference: 77 STATE 52102
Retention: 0
Review Action: RELEASED, APPROVED
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3118129
Secure: OPEN
Status: NATIVE
Subject: SPECIAL AND DIFFERENTIAL TREATMENT (S&D): MARCH 10-11 MEETING OF OECD TRADE COMMITTEE WORKING PARTY
TAGS: ETRD, OECD
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/c8527bb8-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009